



OUR
NATIONAL CURRENCY

THE TREASURY NOTES OF THE GOVERNMENT, AND THE ISSUES
OF THE NATIONAL BANKS, CONSTITUTING THE NATIONAL
CURRENCY, ARE, FOR ALL THE PURPOSES OF OUR INTERNAL
TRADE, MONEY, AS GOOD AS GOLD AND SILVER;

AND

THE AMOUNT OF SUCH ISSUES DOES NOT EXCEED THE ACTUAL
BUSINESS NECESSITIES OF THE COUNTRY.

FEBRUARY, 1866.

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To my Fellow Citizens of the United States :

At no time since the establishment of the Republic, has the subject of Finance had greater importance than at the present, whether viewed as a National question, or as one affecting personal interests. In the discussions with which the public has been favored, the subject, so far as the National interests are involved, has been more considered, than it has as affecting the active industrial pursuits of the country. While so much yet remains problematical, and will so remain till the light of experience shall render the doubtful no longer uncertain, it is the province of discussion to endeavor to deduce the best practical theory. The attempt will here be made to establish these propositions :

The Treasury Notes of the Government, and the issues of the National Banks, constituting the National Currency, are, for all the purposes of our internal trade, money, as good as gold and silver: and, that the amount of such issues does not exceed the actual business necessities of the country.

Commerce is but an exchange of commodities ; but as the exchange, in most cases, is not immediately nor directly made, it follows that, in the interim, there must be something to represent values ; which

representative is but the good faith and responsibility of the person undertaking to make the exchange, or the good faith and responsibility of some third party; or, it is the transfer of some generally recognized representative of value.

In the first instance, we have the obligation of the purchaser or factor; in the second, the obligation of the banker or dealer in exchange; and in the third, money.

Now money, *intrinsically*, has *no value*. It is simply and *only* a representative of value. It neither plows, spins, nor weaves, nor does any other kind of labor. Absolutely non-producing, it represents and is a criterion of value, and is that alone. Except that the representative value of money is almost universally known, and may be realized at any time, and in any place, it is no better than the obligation of any honest man, capable of performing his obligation.

Extended, complicated and indirect as are the operations of commerce, by distance and non-acquaintance, personal obligations become impracticable of performance, or of unknown validity and value; and from necessity, some generally received representative of values, which is termed money, is adopted by commercial usage.

In different ages of the world, and in different countries, a great variety of tokens have been used as money. Shells, pieces of iron, stamped leather, etc., as well as the precious metals, and precious stones.

Money *may be anything*, which, by mutual agreement of a people, is used to represent specific values; but a *perfect* money has certain characteristics, supposed to be best supplied by the precious metals. They exist

in comparatively small quantities, are difficult to produce, and therefore remain of nearly a stationary value; they cannot be easily counterfeited nor alloyed without detection; are capable of division in any desired proportions; and are of easy portability and transfer. For these reasons, by usage growing through many centuries of time, nearly all the nations of the earth have come to regard the precious metals as money; and they are the currency of the world among all trading people.

Of necessity, with those who only recognize the precious metals, no other currency is applicable; therefore in general *foreign trade*, a solvent nation must possess a sufficiency of coin or bullion, to pay all balances against it. But a nation's foreign commerce is but small, compared with its internal trade; especially is this fact true with respect to the trade of the United States. Now, as money is *any standard of value* a people may adopt, is there any reason why, in our domestic trade, we should not have a standard of our own, regardless of its recognition by the Chinese, Turks, French or English? Do we require any more than that it be satisfactory to ourselves?

We have in our Treasury Notes and the issues of the National Banks, a standard of values as perfect for our own uses as gold and silver.

They can only emanate from the Government; cannot be successfully counterfeited; and they are satisfactory to everybody. What more is required?

But, it is said, we have too much currency money. The facts adduced in proof of this very doubtful proposition are stated to be, that we have a much greater amount of paper money than we had before

the war; and previous to the war, on some exceptional occasions, credits became too much extended, panics arose, and ruinous bankruptcies overwhelmed the country. The causes of these epidemics of bankruptcy seem to be misunderstood.

If the business interests of a country require a general representative of values, those same interests equally require such representative to be in *quantity* sufficient to meet business necessities.

Where ten dollars are required, one will not answer the purpose; and if one thousand is demanded, a hundred will scarcely suffice for the requirement.

So that, while we need a general representative of values, we need that representative in such quantity, as shall give an ample and safe base for the whole amount of practical enterprise of the country. If *sufficient* money is not required, it may as well be said that *none* is necessary.

The causes of the great financial revulsions of this country in times past, were the possession of *too little money*, and the necessary use of *credits* in the most liberal manner.

We never had too much money, nor half enough, for the immense enterprise of the people of the United States. What was *called* paper money, was no money at all. It had no *independent value* of its own, but was redeemable in specie on demand. It was but a special form of credit, almost or quite as liable to excessive use and disastrous overthrow as private credits. This country has never hitherto had a representative of values, except specie, that was an independent standard. All, except gold and silver, has previously been some form of credit.

Look at our absolutely enormous property wealth, in every form, and contemplate the narrow metallic bridge, over which the endless train of our vast industries had to pass. Is it a wonder that interests of such magnitude sometimes lost their equilibrium, on the narrow base of our small supply of metal currency?

And, sometimes, the balances of foreign trade being largely against us, have induced excessive exportations of specie; and thus our little bridge has been drawn from under us.

Every considerable commercial revulsion has been followed by a suspension of specie payments by the banks, sometimes continuing through several years.

During this state of suspension, the balance of our foreign trade has been regulated by the use of specie; but the metallic currency, during such periods, ceased to be used in our domestic trade. In each instance the country rose from its business prostration, by the use of such local representatives of value as the country happened to possess;—bank issues, the banks were unable to redeem, and private credit. And when prosperity and business activity have thus been restored, we have, again and again, placed our whole industrial interests upon the same narrow base of our metallic money; in a few years, again to fall from that inadequate support, in confusion and disaster.

Our experiences have repeatedly demonstrated that our domestic trade may flourish, independent of a metal currency.

In the absence of an adequate supply of the precious metals, we require some substitute, which, like those metals, shall have an independent value of its own, and which will, therefore, be substantially perma-

nent. Only such a currency is competent to meet our necessities.

Bank paper, redeemable in specie on demand, is abundant when specie is abundant, and scarce when specie is in deficient supply. When least needed, it is most to be had; when most required, it is least easy to procure; because it has no value independent of gold and silver, and must be withdrawn from use when there is lack of specie for its redemption. Thus our banks, instead of averting, have at times assisted in creating panics; but have never materially assisted us to arise from one.

Is it still asked why panics have been more frequent and more disastrous with us than with the commercial nations of Europe?

The reply is, they have a much greater proportion of their aggregate wealth in money than we; and all business enterprises have a much broader money base than with us. We are a young nation compared with them; they have had time to accumulate by the industry of centuries; we, by that of a few years only: besides, the labor of our people is applied, in great proportion, to building up and establishing. We are making new farms, new villages and cities, and are and have been developing new works of internal improvements, and all this on a gigantic scale. The older and more established countries, in works of this permanent character, are better supplied; and therefore, have a much greater number of their people engaged in producing articles of mercantile and exchangeable value. They have at present the means of over-trading us; and it requires constant watchfulness to prevent the balances of our foreign trade from

being unmanageably large. This state of things is destined to continue many years, during which time we shall never, in any degree, suited to our money wants, accumulate the precious metals; for our wants are very great.

In all classes of property, everything that constitutes real wealth, our possessions are boundless; but of that which represents value in the world's *currency*, viz., gold and silver, the older countries are better supplied; and their enterprises are never narrowed down to that insufficient money base, which has heretofore been incident to our condition.

Broaden our money basis to an equality with theirs, and bankruptcies and panics will be as infrequent.

Shall we wait for this till, by centuries of accumulation, we acquire a sufficient supply of metallic currency for our business purposes; suffering, meanwhile, periodically, paralyzing panics; or, now that we have found a new, reliable and satisfactory standard of values, shall we use it?

Were we a lethargic people, our industrial enterprises *might* be limited to such a small extent that our metal money would suffice for our uses; but we are not. On the contrary, we are the most restless in enterprise of any people in the universe; and if we cannot get the money token, rather than be idle, we oft accept the promise.

How, in the late war, could our astonishing resources have been arrayed in the mighty and continued effort, which finally crushed the rebellion to atoms, had not the Government, by its currency, furnished the people a satisfactory representative of values for general business? What was then useful, is still just as much so.

Our Finances will soon adjust themselves to the present order of affairs. Government bonds will soon find their way into the hands of permanent holders. They once commanded a premium in the money markets, and soon will do so again; and our currency, based on the credit of the United States, will be equivalent with us to gold and silver; but bearing no interest, will never be absorbed by foreign capitalists to any large extent.

Let us consider the comparative results of a deficiently, and of a competently supplied money market.

Previous to our late war, the business of the country was not far different in amount from what it is at the present time. Our paper money was only about \$200,000,000; but private credits were extensively in use. Now we have about \$700,000,000 of currency, and credits have comparatively disappeared.

The amount of current credits in 1860, and the amount in 1865, is not very incorrectly represented by the difference in currency, viz., \$500,000,000; general credit having disappeared to about that aggregate amount.

We now stand upon a sound money basis in the conduct of our domestic trade, fearing no disaster from extended and unmanageable credits; cash, as a general thing, being the condition of trade.

All is prosperous; and if all is not confidence, it is from the fear that the rash hand of power may disturb the best financial condition this people ever enjoyed, the public debt alone excepted.

Still, it is said, we have too much currency.

\$700,000,000 of currency, too much for a people, whose aggregate of property wealth is of fifty-fold greater value!

Too much, for the uses of a people, the aggregate value of whose labor productions is annually, at least, five-fold greater in amount!

\$700,000,000 of currency too much for the use of 30,000,000 of people!

It is but \$23 to each person; a sum any laboring man can earn in a month, in the least remunerated kind of labor. The whole amount is really but pocket money for the people, if equally distributed among them.

Conservative men imagine they now see in inflated prices, the promise of great evils to come.

Is it true, there is any irregularity or augmentation of values, that can be distinctly chargeable to the increase of our currency?

We are told, before the war, we had but \$200,000,000 of currency, now we have \$700,000,000; and the prices of property are higher than before.

Did prices never fluctuate, from low to high, during the periods when the standard amount of currency remained at about \$200,000,000?

A year and a half ago prices were *higher* than they now are, and the amount of currency was *less* than it now is. Must we, therefore, say, the less the currency, the higher prices? The consideration of many facts is often necessary to a correct conclusion; and the apprehended evil is often no evil at all.

When fairly embarked in the war, all the usual conditions of a settled order of trade had ceased to exist; the foundations of our social and political economy were exceedingly disturbed; irregularity in prices and trade was unexampled; labor was very largely diverted from its accustomed pursuits; and new and extraordinary demands arose, for which, from necessity,

supplies had to be sought, with but little regard to cost. True, these active disturbances of the application of labor, and of the value of its productions, have ceased to exist; but it cannot be expected that the effects will not for some time, remain very apparent. But who can say, taking a view of our whole country, and of its various kinds of property wealth, that prices before the war were not too low? It is well known, that except the staple articles of commerce, we have never been able to dispose of our property at forced sales, except at prices ruinously low. While values were *recognized*, they could not readily be *realized*.

Real estate, the safest and best of *all property*, has been almost always very slow to bring its value. The reason is, outside the insufficient supply for the demands of commerce, we have had very little money for anything else.

Let us further compare a national currency, of independent value, sufficient in quantity to meet, in a reasonable degree, the business demands of the people, and a currency having no independent value, but redeemable in coin.

Primarily, however small the amount of specie may be, which is possessed by the banks, and however much it may vary in amount, that amount is an arbitrary standard of values.

At no time (previous to the year 1858) had the aggregate specie of all the banks in the United States equaled \$60,000,000; yet our currency, the main agent of our domestic trade, was about \$200,000,000. That is, the currency of the country represented obligations, payable in specie, on demand, to the amount of more than three dollars for every dollar the banks possessed.

At the same time, in flourishing business periods, the amounts represented by short time business paper, and in other current forms of credit, were \$400,000,000 or \$500,000,000 more. Panics arose; people doubted each other; doubted the currency of the banks; and suddenly the immediate demand was universal for specie. But as one dollar cannot meet the demand for ten or fifteen dollars, payments were suspended, and the business of the country was arrested.

But one of the worst features of our former mixed currency, was that the *banks issuing the paper money*, were banks that were *mainly without specie*. The specie-holding banks issued little or no circulation; and, though in easy times, they used their money to redeem and sustain the circulation of the banks of paper issue, they were not bound to do so; and in adverse times, they invariably let the currency drop. It may safely be asserted, that at no time did the banks that issued the \$200,000,000 of currency, actually possess \$30,000,000 in specie, representing their obligations to redeem. What a contemptibly inadequate foundation! Is it possible, in view of these things, that any man can desire to exchange our present currency, representing as it does the faith and credit of the Government of the United States, for a currency, which, whatever its form, and whatever the theory of its issue, was, in fact, mainly represented by the responsibility of individual citizens; and which every severe trial found wanting in the most essential element of money, viz: stability in value?

Whether money is in adequate, or in inadequate supply, is a question capable of a pretty clear solution, by reference to rates of interest. In Holland, where

the supply is better apportioned to the demand than any other country, for the last twenty years rates of interest have usually ranged between two and four per cent. per annum; in England and France, between three and six per cent. per annum. But these are old manufacturing and commercial nations; and their accumulations of specie have been large. Their supply of that kind of money may be regarded sufficient to meet the demands of both their foreign and domestic trade, and give a safe basis to such credit as their business exigencies may require. France has a circulating medium, mostly specie, of about \$1,000,000,000; England has some \$600,000,000 or \$700,000,000.

Some of *our* older and successful commercial cities have accumulated pretty largely, in hard money; and in some of the wealthiest, interest, for the twenty years previous to the war, has usually ranged from five to eight per cent.; but this money they kept to themselves. Outside the cities of New York, Boston, Philadelphia, Baltimore, and New Orleans, all the banks of the country, never at any time during the periods spoken of, possessed an average of \$20,000,000 in specie. And what have been the rates of interest, even where money has been secured by pledge of the staple articles of commerce in store, or in transit to the commercial seaboard ports?

In the large commercial interior cities of the west, the enormous rates of from ten to thirty per cent. per annum, have currently been paid. What an oppressive and discouraging tax upon industry!

We are now tolerably well supplied with our national currency, and these distressing rates of interest, have, to a great extent, disappeared. But the rates of inter-

est do not yet show we have too much money. They are still much higher than in Europe, and are oppressive still, in some parts of the country; for property should never be slave to money, which, by its nature, should ever remain only the convenience of property.

In the discussion of this subject, it is not intended the inference shall be drawn, that the present system is the best that might be adopted. *The National Banks are not needed.* Our whole currency should be supplied directly by the Government; and the interest on the Government securities pledged by the banks, which now costs the country \$24,000,000 annually, should be saved. Who regards the bill of a national bank better than a treasury note? Surely, no person.

Though, in the exigencies of the war, it may have been sound policy to issue specie-paying bonds, the exigency has passed away. And it would seem an *unpatriotic* policy to increase the present issues of that class.

Previous to the war, our national rivals and enemies,—the hard money potentates of the world—foresaw the rebellion; cherished and encouraged it; and resolving to make it a success, determined in advance, to lend us no money; knowing the inadequacy of the specie we possessed, to carry on the operations of a gigantic and exhausting war. It was confidentially expected the Government efforts would soon succumb to the destitution of its finances.

Events proved their mistake; a means was found by which all the resources of the country could be wielded without the use of gold or silver. Previous to this, we were in a state of financial vassalage to the wealthy European nations.

In the days of our adversity we emancipated our-

selves. Shall we, in the first hours of our returning prosperity, voluntarily resume the shackles of financial subordination and servitude? We are to-day, the mightiest among the nations. Our people are able and willing, to do anything the national dignity or interests require. They *need* no *foreign* aid to hold the Government debt. Though our Government bonds, being a better and more productive security than any of their own, will be largely taken by the people of Europe, in addition to what they now hold; these bonds should *be paid* in our *currency*. That will render them less liable to be taken by foreigners than if payable in specie. Let foreign capitalists, if they desire, invest in our rail road and other corporate securities; but let the debt of the *American Government* be held by the *American people*. No thoughtful person can satisfactorily contemplate obligations of our Government to pay some thousands of millions of dollars in foreign gold. If necessity dictated such an unsatisfactory state of affairs, to that necessity we would sadly bow; but there is no such necessity that the nation suffer in its dignity and independence.

If any change shall be made in the form of our present Government indebtedness, *as soon as practicable, bonds, payable in currency, should be issued to take the place of specie-paying bonds.*

The United States should never redeem more than \$2,000,000,000 of its present debt. They should be indebted to the people \$1,000,000,000, in the form of treasury notes; *permanently to remain an independent standard of money*, for all the purposes of our domestic trade. This currency should, of course, be the money of the Government in its home affairs,

as well as the money of the people. To sustain it, would cost the Government no interest. It would require the people to pay no taxes. We rely upon the aid of no foreign power for any other thing; why need we for our money standard, when we have one of our own, which, and which alone, will give us money in quantity equal to our necessities; which by cheapening rates of interest, will stimulate industry; which will insure us against panics and revulsions; and which will render one-third of the whole national debt no burden, but a national blessing?

Yours respectfully,

A. WOLCOTT.



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